

# Idaho Economic Forecast

DIRK KEMPTHORNE, Governor

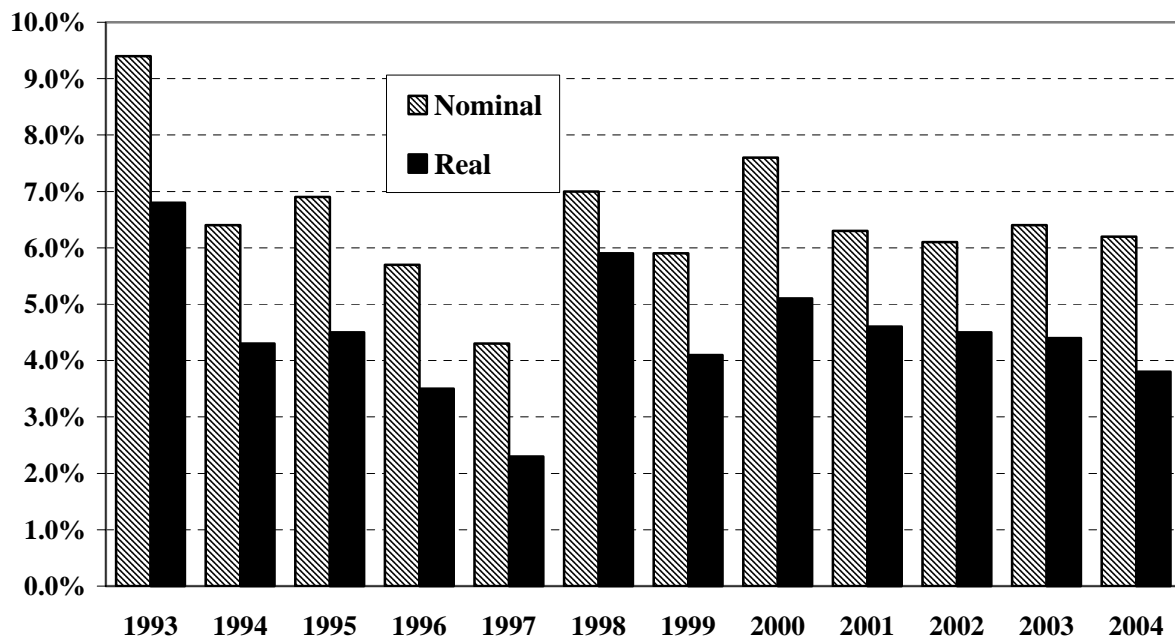
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- Forecast 2000-2004
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## Idaho Personal Income Growth



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**IDAHO  
ECONOMIC  
FORECAST  
2000 - 2004**

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## PREFACE

Idaho has entered its second century of statehood on solid economic ground. After nearly a decade of stop-and-start economic performance, the 1990s closed with a much-welcomed economic expansion. While not as sharp as the boom years of the 1970s, today's employment and income growth are exceptional in comparison to the 1980s. Much of the current expansion results from Idaho's successful adjustment (and sometimes difficult restructuring) of its key basic industries.

The State's traditional industries such as lumber and wood products, food processing, and mining—have become more competitive. The high-tech sector, which includes Hewlett-Packard, Zilog, and Micron Technology, has bucked recent national trends and undergone substantial expansion. In addition, the tourism and travel sectors have benefited from past investments in such projects as the Coeur d'Alene Resort, the convention centers in Boise and Nampa, and the Kellogg Gondola. Thus, the restructured Idaho economy is better positioned to exploit growth opportunities that will arise in this decade, and is expected to sustain solid growth well through the first decade of the new millennium.

A particularly satisfying aspect of the Gem State's passage into the 1990s is the much broader base of economic health in Idaho today. Tourism, high-tech manufacturing, and the commercial sectors are thriving. After persevering through hard times, more Idahoans are enjoying the benefits of the state's economic success on a wide geographical basis. Many of Idaho's rural communities that lagged urban growth rates during the 1980s have recently grown. And although nearly two-thirds of Idaho cities lost population during the previous decade, many are now rebounding.

While many changes are taking place today, other traditional factors still hold firm—most notably, Idaho's economy remains directly tied to its resource base. While displaying more resilience to downturns than in the past, these industries are not totally immune from business-cycle effects. This heavy dependency on natural resources will bring a host of challenges as Idaho enters the new century. These include competition among agriculture, fisheries, and expanding population, for water and energy; the environmental impacts of the economically important mining, timber, agricultural, and tourism industries; and the many other pressures of an expanding population on the state's natural and fiscal resources.

Other factors that are external to the state's economy will present challenges this decade to public and private decision makers. Public policy decisions made in Washington, D.C. affect resource industry and federal installations such as the Idaho National Engineering and Environmental Laboratory near Idaho Falls and the Mountain Home Air Force Base. Finding balanced and acceptable solutions to endangered and threatened species issues and timber supply issues are of major economic significance.

In order to deal effectively with these challenges, public and private decisions need to be made with a thorough understanding of the structure of the state's economy. It is to this end that the *Idaho Economic Forecast* is directed.

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## **INTRODUCTION**

The national forecast presented in this publication is the November 2000 Standard and Poor's DRI baseline forecast of the U.S. economy. The October 2000 *Idaho Economic Forecast* is based on the September 2000 DRI national forecast.

The growth rates for Idaho nominal and real personal income are included on the cover of this report. It shows that after rising 7.6% in 2000, Idaho annual nominal personal income growth should bounce between 6% and 6.5% over the forecast horizon. In contrast, Idaho real income displays a clear pattern of slowing over the forecast period. Specifically, it goes from 5.1% in 2000, to 4.6% in 2001, to 4.5% in 2002, to 4.4% in 2003, and to 3.8% in 2004.

## **FEATURE**

With the rapid growth of productivity in recent years, the debate about the contribution of information technology to productivity growth has shifted. In one corner are the believers in the new economy. In the other corner sit the skeptics. Their conflict focuses on the benefits of using information technology outside of the information technology sector. In our feature article, Bharat Trehan and Casey Cornwell explore evidence that suggests that benefits from the information technology sector has spilled over into the rest of the economy. Bharat Trehan is a Research Officer with the Federal Reserve Bank of San Francisco and Casey Cornwell is a Research Associate with the Bank.

## **THE FORECAST**

Alternative assumptions concerning future movements of key economic variables can lead to major variations in national and/or regional outlooks. DRI examines the effects of different economic scenarios, including the potential impacts of international recessions, higher inflation, and future Federal Reserve Board decisions. Alternative Idaho economic forecasts were developed under different policy and growth scenarios at the national level. These forecasts are described in the text.

Historical and forecast data for Idaho and the U.S. are presented in the tables in the middle section of this report. Detail is provided for every year from 1985 to 2004 and for every quarter from 1998 through 2003. The solution of the Idaho Economic Model for this forecast begins with the third quarter of 2000.

Descriptions of the DRI U.S. Macroeconomic Model and the Idaho Economic Model are provided in the Appendix. Equations of the Idaho Economic Model and variable definitions are listed in the last pages of this publication.

## **CHANGES**

The employment data that appear in this publication are based on monthly estimates provided by the Idaho Department of Labor. The current job numbers extend through the third quarter of 2000. The estimates through this year's first half have been finalized. The estimates for July, August, and September 2000 are preliminary. All of these data have been adjusted and converted into quarterly estimates by the Division of Financial Management (DFM).

These data show that Idaho nonfarm employment was stronger during the first half of last year than had been previously estimated. Employment was up 423 in the first three months of 2000 and it was 3,280

higher in the next three months of 2000. The preliminary data for the third quarter suggest DFM's forecast in October 2000 was about 1,200 too low.

The tables in this forecast include the U.S. Department of Commerce's Bureau of Economic Analysis (BEA) estimates of Idaho quarterly personal income through the second quarter of 2000. The BEA will release its next round of Idaho personal income estimates in late January 2001.

It should be pointed out that the Idaho personal income data has been revised back to the first quarter of 1997, and these revisions are fairly sizable. Specifically, Idaho total personal income was reduced \$223 million (0.9%) in 1997 from its previous estimate, \$192 million (0.7%) in 1998, \$804 million (2.7%) in 1999. The 1999 revision reflected significant changes to wages and salaries (-\$142 million); farm proprietors' income (-\$188 million); and dividends, interest, and rent (-\$286 million). As a result of these changes, the starting point for Idaho personal income has been lowered, which helps explain why Idaho personal income is down from the previous forecast.

The *Idaho Economic Forecast* is available on the Internet at <http://www.state.id.us/dfm/econinfo.htm>. Readers with any questions should contact Derek Santos at (208) 334-3900 or at [dsantos@dfm.state.id.us](mailto:dsantos@dfm.state.id.us).

## SUBSCRIPTIONS

You can access the *Idaho Economic Forecast* for free at <http://www.state.id.us/dfm/econinfo.htm>.

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